



California Housing Finance Agency

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Executive Director

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AFFORDABLE HOUSING CONNECTIONS

ACQUISITION FINANCING PROGRAM NOW AVAILABLE FOR PRESERVATION

For those of you who have been following our Preservation Housing updates in this newsletter, you know that CHFA has been actively engaged the past few years in trying to provide financing support for the preservation of expiring-use at-risk subsidized rental projects.

Over the past two years we've seen HUD initiate its Mark-To-Market Program to address the financial restructuring needs of projects with contract rents in excess of market rents. This past year HUD recognized the circumstances prevalent in a number of states, most notably California, through the implementation of a limited Mark-Up-To-Market Program providing increased contract rents for projects with current rent structures below the market.

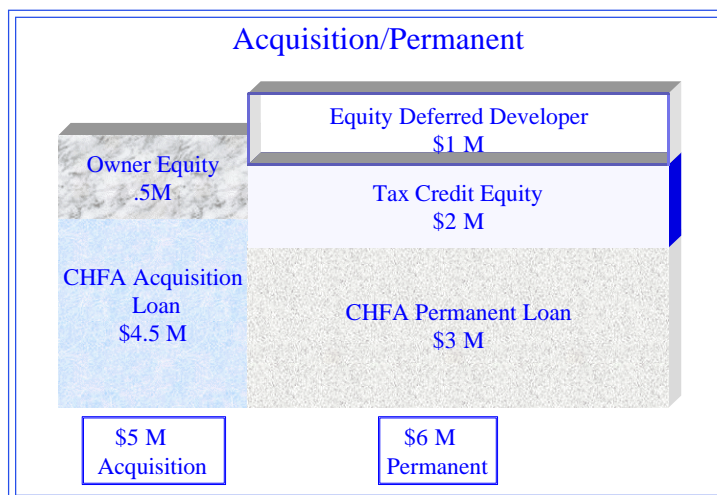
Of the originally estimated 114,000 expiring project-based Section 8 units in California, nearly 17,000 units have now opted out and converted to market rate. It is estimated that twice that number will have opted out within the next two years. As HUD prepares to implement the Mark-To-Market Program in

California, at least 40 projects have submitted requests to HUD, most of them just for restructuring of rents.

Although CHFA has offered long-term financing programs to support the retention of these at-risk projects as affordable housing resources, our clients have not been able to utilize these vehicles because of the length of time it takes to package together all of the necessary financing elements. This situation was consistently referenced in a series of client and industry interest group meetings we held this summer.

What was needed, our clients advised, was an acquisition financing program that would give them an opportunity to acquire a currently available property and sufficient time to then put together the necessary resources for permanent financing. In response to that need, the CHFA Board of Directors has approved an Acquisition Financing Program.

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DIRECTOR CONNECTION

This has been an interesting and rewarding few months at CHFA, but not without challenges. Since the start of this fiscal year in July, our multifamily portfolio has topped the \$1 billion mark. At the most recent November meeting of the CHFA Board of Directors, over \$100 million in loans received either initial or final commitment. In fact, the largest loan in CHFA history received an initial commitment.

In the fight for preservation of affordable Section 8 projects, the CHFA Board of Directors has also just approved a new Acquisition Financing Program.

The Board recently adopted the Agency's \$7.2 billion Five-year Business Plan covering the fiscal years 1999-2000 to 2003-2004. The Plan calls for \$930 million in multifamily lending. The challenge now before us is to determine just how much to earmark for preservation.

On the Legislative front, we have come so very close to victory in seeing increases in both the Private Activity Bond and Housing Credit Caps. With 91% of the California Congressional delegation as cosponsors, both of these cap increases were included in the larger tax bill, which the President vetoed. The increases were then added to the house version of the so-called Minimum Wage Bill, which died before a vote could be taken prior to the end of the session. We will continue our efforts in the second session of this Congress next year, and with your help again, we sincerely believe we will be successful.

The National Council of State Housing Agencies has recognized CHFA with two Awards for Program Excellence at their recent annual meeting in Chicago. These awards were especially noteworthy since they were received in the two most contested categories.

Our new Annual Report *Pursuing Partnerships for Affordable Housing* has just been published, and if you would like to receive a

copy, simply check the appropriate item on the enclosed Business Reply Card.

This newsletter is as much about us telling you what's going on at CHFA as it is about us listening to you and your suggestions on how we might improve on our loan delivery process or on how we serve you, our customers, in general. So, you are invited to share your thoughts and ideas with me at any time.

ACQUISITION FINANCING PROGRAM NOW AVAILABLE FOR PRESERVATION (continued from page 1)

The Acquisition Financing Program is now available for existing projects at risk of loss of subsidy support. Eligible borrowers include for-profit and nonprofit, and public agencies. The maximum loan amount may be up to 100% of acquisition cost for qualified nonprofits and public agencies, and up to 95% of acquisition cost for for-profits. The acquisition loan would be a first mortgage loan with a term of up to two years, with an interest rate as of this publication date of 5% for qualified nonprofits and public agencies, and 7% for for-profits. A critical element of any financing request will be the validity of an exit strategy — the assumptions regarding the conversion to a permanent mortgage must be acceptable to the Agency.

The Acquisition Financing Program has now been added to CHFA's overall Preservation Financing Program (\$100 million earmarked in the Business Plan). Other elements in the Preservation Financing Program include:

- below-market rate long-term, fixed-rate tax-exempt and taxable financing;
- a financing and regulatory program for the acquisition of HUD 236 loans and the IRP (Interest Reduction Payment) subsidy; and
- the critically important CHFA Transition Operating Subsidy financing.

All of which benefits both tenants and project operations should a conversion from Section 8 project based assistance be necessary.

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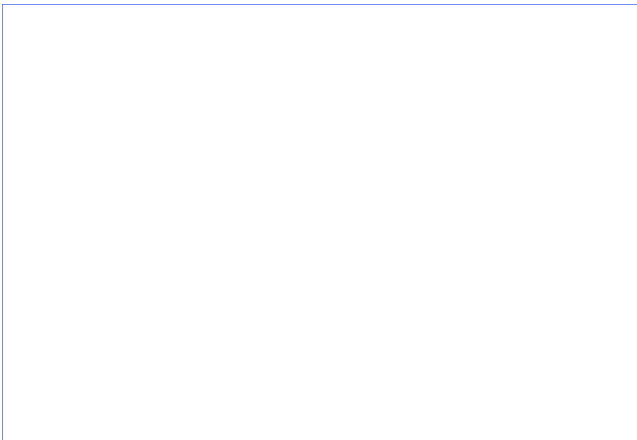
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MONTEVISTA Apartments

MUCH NEEDED AFFORDABLE HOUSING "JEWEL"
IN THE SILICON VALLEY

Montevista is one of five recent CHFA financed projects in the greater San Jose area. This new development now provides much needed affordable rental housing in one of the highest cost areas of the State. It is located in Milpitas, which is in the hub of Silicon Valley. Here rental apartments make up 30% of the housing stock with rents that typically start at \$700 per month just for a studio apartment. Thanks to the efforts of BRIDGE Housing, CHFA and the City of Milpitas, there is now an opportunity for lower income families to live in beautiful new up-



scale rental housing in the heart of the Silicon Valley.

Montevista Apartments is a 306-unit mixed-income rental development adjacent to The Great Mall on South Main Street. The 16-acre site was purchased from the County, and received a \$3 million loan from the redevelopment agency as well as CDBG & HOME funds from the County of Santa Clara and the City. CHFA provided the \$30,000,000 permanent financing (from tax-exempt and taxable bonds). The John Hancock Company was the tax credit investor (4% tax credits).

The development consists of 21 three-story wood frame buildings with 72 one-bedroom/one-bath, 155 two-bedroom/two-bath, and 79

three-bedroom/two-bath apartments. All units have refrigerators, dishwashers, garbage disposals, electric ovens and ranges. This gated community provides 306 garages and 407 open parking spaces, central laundry rooms, two tot lots and a play area, a sport court, a half court, pool, spa, and wading pool. The 4,500 square foot community building houses a fitness center, computer room, game room, kitchen, rest rooms and offices. Outdoor areas include an arbor and fully landscaped grounds.

Out of the 306 units, there are 164 affordable units rented to households earning less than

50% or 60% of area median income with net rental savings of between \$455 and \$890 a month. One bedroom affordable rents start at \$585 with market rents at \$1,040. Two-bedroom affordable units start at \$695 with market rents at \$1,340; and the three-

bedroom affordable rents start at \$820 with market rents at \$1,710.



CHFA RECEIVES TWO AWARDS FOR PROGRAM EXCELLENCE

The California Housing Finance Agency has received two highly coveted *Awards for Program Excellence* at the recent 29th Annual Conference of the National Council of State Housing Agencies (NCSHA) which just concluded in Chicago.

NCSHA's *Annual Awards for Program Excellence* honors state housing finance agencies for their implementation of out-

standing public purpose programs and projects. The competition attracts the most innovative programs serving lower income and underserved people, the most effective management innovations, and the best use of legislative efforts and communications to promote affordable housing opportunities and achievements. The recognition these awards bestow upon the winning states helps further the cause of affordable housing for working families across the country. A major purpose for NCSHA having these awards is to draw attention to programs or activities that should be replicated, if at all possible, by all housing finance agencies.

The awards are given in 13 categories encompassing affordable housing components in the areas of homeownership, rental housing, special needs housing, management innovation, federal legislative campaign and communications. In addition to the single award winner in each category, two significant achievement awards may be given for programs or activities which have accomplished exceptional results regardless of replicability.

In all, NCSHA received 146 entries for the *1999 Annual Awards for Program Excellence* (eight from CHFA). In addition to the 13 awards which were given (two to CHFA), there were 17 awards for Significant Achievement.

CHFA was recognized in the category of "Management Innovation: Financial and Operations Management" for the methods used *Managing the Private Activity Bond Resource*. CHFA's second award was in the "Homeownership: Empowering New Buyers" category for its *Affordable Housing Partnership Program*.

Managing the Private Activity Bond Resource

recognizes that California's allocation of private activity bonds (also known as tax-exempt or mortgage revenue bonds) is a precious resource. Applications for use of this funding source exceeded the amount available by almost 3 to 1, with CHFA receiving
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CHFA BOARD CONNECTION – NOVEMBER 1999

1999 STATE LEGISLATION

The first year of the 1999-2000

Legislative session is now behind us.

This year, the Governor was presented with 1,277 bills — 1,031 were chaptered (enacted into law), and 246 were vetoed. Approximately 19% of the bills sent to the Governor by the Legislature did not become law. A brief synopsis of some of the bills we believe may be of interest to you is provided below for your information. Copies of bills, analyses and veto messages for these and all other bills introduced this year are available on the Internet at www.leginfo.ca.gov/bilinfo.html.

AB 97, Torlakson

Topic: Taxation: low-income housing.
Chapter 893, Statutes of 1999
Provides that procedures and requirements for the allocation of \$35 million in State tax credits for low-income housing projects are to remain in effect as long as related provisions of federal law are in effect.

AB 919, Dutra

Topic: Land use: local agencies.
Chapter 966, Statutes of 1999
Requires that when a proposed housing development project complies with the applicable general plan, zoning, and development policies in effect at the time that the project's application is determined to be complete, a local agency may not propose to disapprove the project or conditionally approve it at a lower density unless the agency bases its decision on written findings supported by substantial evidence on the record that certain conditions exist.

AB 1404, Dutra

Topic: California Housing Finance Agency: bonds.
Chapter 264, Statutes of 1999
Increases by \$2.2 billion (to \$8.95 billion) the limit on the maximum amount of debt the California Housing Finance Agency may have outstanding.

Name of Project/Location Name of Sponsor/Type	# of Units Type/Credits	CHFA Loan Type & Amount
South Gate Senior Villas South Gate, Los Angeles County By: Thomas Corley & TELCAU <i>New Construction Project</i>	74 Senior No Credits	Tax-Exempt Loan of \$2,300,000 <i>The City of South Gate is also providing financing in the amount of \$6,103,950</i>
Playa del Alameda Apartments Alameda, Alameda County By: A.F. Evans & Trinity Housing <i>Preservation Financing</i>	40 Family 4% Credits	Tax-Exempt Loan of \$3,175,000 Taxable Loan of \$500,000
MORH I Apartments Oakland, Alameda County By: Citizen's Housing Corp. <i>Preservation Financing</i>	124 Family 9% credits	Taxable Loan of \$4,610,000 236 IRP Loan of \$1,405,540
Oak Center I Apartments Oakland, Alameda County By: Citizen's Housing Corp. <i>Preservation Financing</i>	79 Family 9% Credits	Taxable Loan of \$2,175,000 236 IRP Loan of \$603,207
Rowland Heights Apartments Rowland Heights, Los Angeles By: Rowland Heights Preservation Partners LLC and Jamboree Housing <i>Preservation Acquisition and Permanent Loans</i>	144 Family 4% Credits	Acquisition Tax-Exempt Loan of \$7,101,765 Permanent Tax-Exempt Loan of \$6,980,000 236 IRP Loan of \$1,410,000
Plum Tree West Apartments Gilroy, Santa Clara County By: Plum Tree Preservation Partners LLC and Jamboree Housing <i>Preservation Acquisition and Permanent Loans</i>	70 Family 4% Credits	Acquisition Tax-Exempt Loan of \$4,950,000 Permanent Tax-Exempt Loan of \$5,650,000
El Rancho Verde I & II San Jose, Santa Clara County By: The Related Companies <i>Preservation Financing (Initial Commitment)</i>	700 Family 4% Credits	Tax-Exempt and Taxable financing totaling \$71,400,000 236 IRP Loan of \$2,791,379 <i>The City of San Jose is also providing financing totaling \$5,500,000</i>

PURSUING PARTNERSHIPS FOR AFFORDABLE HOUSING

Hot off the press is CHFA's new 1998-99 Annual Report, **Pursuing Partnerships for Affordable Housing**. To receive your copy, just check the **Annual Report** item on the attached business reply card. In looking back at the Agency's accomplishments for the year, one recurring theme kept popping up —

partnerships. Throughout the report you will read about how these partnerships impacted and changed the lives of the people we serve. Perhaps in reading this report you will be prompted to think about projects you would like to do, but didn't know that CHFA could help you make them happen.

BOND AND CREDIT CAP INCREASES???

The roller coaster ride continues! For the last five years, we have been very actively campaigning to increase the caps on the California allocation for private activity bonds (also known as tax-exempt bonds) and the low income housing tax credits. With the early support and encouragement of Governor Gray Davis and State Treasurer Phil Angelides, we were successful – with your help – in obtaining the support of 91% of the California Congressional delegation. And, when you combine our efforts with those of our counterparts from across the country, these two bills had the highest number of cosponsors (356 and 354 respectively) of any legislation in the current session. We thought that victory was in sight. Chairman Archer kept his word to the affordable housing community by including the provisions of H.R. 864/S. 459 (private activity bond cap) and H.R. 175/S. 1017 (housing credit cap) in the larger tax measure known as the Taxpayer Refund and Relief Act of 1999. The President vetoed the bill based on broader fiscal concerns.

With the level of support our bills received, Congressional leadership moved to include the bond and credit caps in H.R. 3081, the Wage and Employment Growth Act of 1999, by Representative Lazio of New York. However, Congress adjourned for this first session of the 106th Congress before final action on this bill was taken by the House. We intend to continue our fight into the second session next year, and work to include among the cosponsors the five members from California who were not on board this year.

We have some real stars in our Congressional delegation who recognized the importance of these two bills for affordable housing in California and they deserve a word of thanks! Please write to each of them a note of *APPRECIATION!* Our Congressional stars are:

On both bills:

Senators Feinstein (D) and Boxer (D), and

Representatives:

Becerra (D)	Berman (D)	Bilbray (R)	Bono (R)
the late George Brown (D)	Campbell (R)	Calvert (R)	Capps (D)
Condit (D)	Cunningham (R)	Dixon (D)	Dooley (D)
Doolittle (R)	Dreier (R)	Eshoo (D)	Farr (D)
Filner (D)	Gallegly (R)	Horn (R)	Hunter (R)
Kuykendall (R)	Lantos (D)	Lee (D)	Lewis (R)
Lofgren (D)	Martinez (D)	Matsui (D)	McKeon (R)
Millender-McDonald (D)	Miller (Gary) (R)	Miller (George) (D)	Napolitano (D)
Packard (R)	Pelosi (D)	Pombo (R)	Radanovich (R)
Rogan (R)	Roybal-Allard (D)	Sanchez (D)	Sherman (D)
Tauscher (D)	Thomas (R)	Thompson (D)	Waters (D)
Waxman (D)	Woolsey (D)		

On only the bond cap Herger (R) and **on only the credit cap** Stark (D).

If you have any questions or need additional information, please

contact Bill Cranham, Director of Federal Legislation, at

(916) 322-0249 or (310) 342-1250.

Thank you in advance for your assistance.



1999 STATE LEGISLATION

(continued from page 4)

AB 1559, Wiggins

Topic: Property tax welfare exemption: low- and moderate-income housing. Chapter 927, Statutes of 1999
Eliminates the lengthy annual filings for the low-income property tax exemption and amends the start of the exemption to the date of ownership rather than the start of construction for nonprofit corporations that are organized and operated for the specific and primary purpose of building and rehabilitating single or multifamily residences. It also provides that only property with a recorded deed restriction is eligible for the welfare exemption.

SB 382, Haynes

Topic: Housing: older persons. Chapter 324, Statutes of 1999
The Unruh Civil Rights Act prohibits business establishments from discriminating on the basis of sex, color, race, religion, ancestry, national origin, or disability, or in the sale or rental of housing, based on age, except as specified. This bill revises those provisions relating to housing discrimination to delete a requirement that a qualified permanent resident of a senior citizen housing development have, or expect to have, an ownership interest.

SB 1121, Alarcon

Topic: Housing and Community Development Department: Streamlining programs. Chapter 637I, Statutes of 1999
Combines and coordinates state housing programs administered by the Housing and Community Development Department to streamline the process of funding affordable housing projects. It provides a standard set of rules applicable to all rental housing programs administered by that Department, and authorizes the Department to make loans to developers for development, construction, reconstruction, rehabilitation and acquisition of new and existing transitional and rental housing developments.



HOLIDAY GREETINGS

*From the CHFA family
to yours with every good
wish that the Spirit of
Goodwill which is so much
a part of the Season extend
for you and yours into the
coming New Year and may
the New Year bring
continued success as we
work together to provide
Affordable Rental Housing
for California's Working
Families.*

HELP PROGRAM FIRST YEAR FUNDING

Governor Gray Davis in August announced the awarding of the first \$20 million of a five-year \$100 million program in low interest loans to 19 local agencies by the California Housing Finance Agency. These loans will be funded through a newly created competitive program called HELP (Housing Enabled by Local Partnerships) which we introduced in the last issue of **CONNECTIONS**. Available to all cities and counties throughout the State, it is structured as a "loan-to-lender" program, with CHFA providing a 3% simple interest loan to qualified local government agencies. Those agencies, in turn, become the lender, directly making loans for projects that address a community's unmet affordable housing needs, as documented in an approved housing element, consolidated plan, or other documented housing plan.

The funds from the loans for this first year will be used to help finance a broad spectrum of single and multifamily housing projects. The approved loans range from \$450,000 to \$2 million, depending on the type and scope of each project, and are expected to assist more than 3,600 households.

"Increasing the supply of affordable housing is a critical component of sustaining a healthy economy," stated Governor Davis. "Over the next 10 years, California is projected to add three million jobs and more than six million people, outpacing the rest of the nation in jobs, income and population growth. A number of studies show that up and down the State, Californians are being forced to spend a higher percentage of their income on housing. We must be creative in our efforts to forge new state/local partnerships to ensure that safe, decent housing is available for our working families."

Recipients of this first year of program funding are listed on facing page.

"The HELP program challenges local jurisdictions to determine their housing priorities, affordability limits, and areas of unmet needs and to then design a local strategy for addressing those issues," stated Governor Davis. "The simplicity of this program provides local agencies with flexibility to design a program that will not only meet the needs of their specific community, but provides a source of funds that can be combined with other local, state and federal funds to maximize leveraging opportunities."

\$7.2 BILLION FIVE-YEAR BUSINESS PLAN APPROVED

The CHFA Board of Directors recently approved a new Five-Year Business Plan for the fiscal years 1999-2000 to 2003-2004. This ambitious plan proposes \$6.0 billion in lending programs and \$1.2 billion in mortgage insurance activity for a total of \$7.2 billion.

For multifamily lending the current year goal is \$190 million with a total target of \$930 million over the next five years. The most uncertain element we faced in drafting this Plan was how much to set out for preservation — the Plan calls for \$100 million. We are hopeful that the Acquisition Financing Program which you will find detailed elsewhere in this newsletter will resonate positively with the multifamily preservation community forcing CHFA to increase this target.

On the single family side, we are anticipating \$1 billion in loans per year. Through the use

of recycling, taxable bonds and other leveraging techniques, this target should be attainable with \$250 - \$300 million in private activity bond allocation in the near-term. In the meantime, CHFA will continue to press Congress to increase the private activity bond allocation caps.

As an economic stimulus, it is estimated that new construction activity (\$2.5 billion in newly-constructed single family homes and \$350 million in new affordable multifamily rental units) financed under this Plan will support the creation of 82,000 jobs. In addition, there should be a significant economic impact resulting from CHFA's financing of single family resale homes and multifamily acquisition/rehabilitation projects and from the mortgage insurance generated by the California Housing Loan Insurance Fund (CaHLIF). A copy can be obtained by checking the **Business Plan** item on the attached business reply card.

HELP Program Commitments

Locality	Allocation	Nature of Program	Households to be served
City of Vallejo	\$1,500,000	Short-term line of credit for mortgage originations for very low interest rate (1% to 5.5%) permanent loans for first-time homebuyers	900
City of Livermore	\$ 450,000	Subordinate loans for low-income first-time homebuyers for acquisition and rehabilitation of single family homes	40
Sacramento Housing & Redevelopment Agency	\$2,000,000	Bridge financing for acquisition and rehabilitation of highly troubled multifamily developments (defined as half-plexes to 100 unit developments)	250
Housing Authority of the City of San Luis Obispo	\$ 500,000	Predevelopment funding for 2 affordable multifamily developments	30
City of San Jose	\$2,000,000	Acquisition of sites, buildings will be demolished and replaced with affordable multifamily rental and ownership units	137
City of California City Redevelopment Agency	\$1,000,000	Multifamily development construction loans for second phase of affordable rental unit development	43
Pasadena Community Development Agency	\$1,000,000	Rehabilitation loans for owners of affordable multifamily housing	60
City of San Buenaventura	\$1,550,000	Multifamily rehabilitation loan program administered by the City's housing authority	160
City of Santa Ana	\$1,400,000	Multifamily rehabilitation loan program for specific revitalization areas	500
Redevelopment Agency of the City and County of San Francisco	\$1,400,000	Short-term bridge, predevelopment and construction financing for new multifamily housing	500
City of Long Beach	\$1,200,000	Multifamily acquisition and rehabilitation loan program for specific revitalization areas	78
Anaheim Housing Authority	\$1,150,000	Multifamily rehabilitation loan program for 4-8 unit apartments in specific revitalization areas	200
Alameda County Housing & Community Development	\$1,000,000	Revolving bridge loan program for construction of affordable transitional multifamily housing on the naval air station	250
Housing Authority County of Kern	\$ 750,000	Single family acquisition and rehabilitation program	10
City of Santa Barbara	\$ 750,000	Multifamily acquisition/rehabilitation and new construction program providing predevelopment, bridge and short-term permanent financing for affordable units in a downtown revitalization area	76
City of West Sacramento Redevelopment Agency	\$ 750,000	Multifamily/single family acquisition/rehabilitation loan program and job training construction program	340
Baldwin Park Redevelopment Agency	\$ 600,000	Subordinate loan program for first-time homebuyers	11
City of Calexico	\$ 500,000	Subordinate loan program for first-time homebuyers	25
Lindsay Redevelopment Agency	\$ 500,000	Rehabilitation and infill new construction loan program for first-time homebuyers	12



CHFA RECEIVES TWO AWARDS...
(continued from page 3)

only 16% of the \$1.6 billion available. CHFA's management strategy for single family loans has involved using the limited allocation of \$228 million in tax-exempt bonds with a high percentage of taxable bonds to create a capital pool of approximately \$862 million in lendable funds, achieving a leveraging ratio of 3.78 to 1. As a result, CHFA has been able to maintain its loan interest rate at approximately 100 basis points below the market. Similar financing approaches were used to produce funding for CHFA's multifamily rental program loan activity.

Affordable Housing Partnership Program (AHPP) was created to assist the particular needs of Californians who are unable to afford down payment and closing costs associated with a home purchase. CHFA joined forces with cities and counties — a total of 92 local government agencies and seven nonprofit organizations — to further a shared goal of increasing homeownership opportunities throughout the State.

To make the AHPP even more consumer-friendly than the standard CHFA loan program, an interest rate is maintained at approximately 25 basis points (0.25%) below the CHFA standard rate. Borrowers

must receive direct financial assistance (i.e., down payment assistance, closing cost assistance, or deferred-payment subordinate loans) from another government (local, state or federal) entity that can be combined with funds from this Program. Borrowers must also meet published income limits, and purchases are subject to federally-established sales price limits. In recognized high cost areas, those limits are higher, maximizing affordable housing opportunities in those areas.

To date, this Program has helped more than 35,000 families realize the dream of homeownership.


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